



General Assembly

January Session, 2005

Raised Bill No. 6806

LCO No. 3948

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Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT CONCERNING INSURANCE PRODUCER COMPENSATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2005*) (a) As used in this
2 section:

3 (1) "Affiliate" means a person who (A) controls, is controlled by, or
4 is under common control with a producer, and (B) is permitted to
5 receive compensation pursuant to chapter 701a of the general statutes;

6 (2) "Compensation from an insurer or other third party" means
7 payments, commissions, fees, awards, overrides, bonuses, contingent
8 commissions, loans, stock options, gifts, prizes or other forms of
9 valuable consideration, whether or not payable pursuant to a written
10 agreement;

11 (3) "Compensation directly from the customer" does not include any
12 fee or expense allowed under section 38a-707 of the general statutes
13 and regulations adopted pursuant to said section or any fee or expense
14 collected by or paid to the producer that does not exceed an amount
15 established by the commissioner pursuant to section 38a-707 of the

16 general statutes;

17 (4) "Customer" does not include a person whose only relationship to
18 the producer or affiliate with respect to the placement of insurance is
19 as (A) a participant or beneficiary of an employee benefit plan, or (B) a
20 person covered under a group or blanket insurance policy or group
21 annuity contract;

22 (5) "Documented acknowledgement" means the customer's written
23 consent, except that in the case of a purchase over the telephone or by
24 electronic means for which written consent cannot reasonably be
25 obtained, "documented acknowledgement" includes consent
26 documented by the producer; and

27 (6) "Insurance producer" or "producer" means an insurance
28 producer, as defined in section 38a-702a of the general statutes, except
29 that "insurance producer" or "producer" does not include (A) a person
30 such as a managing general agent, sales manager or wholesale broker
31 who is licensed as an insurance producer and who acts only as an
32 intermediary between an insurer and the customer's producer, or (B) a
33 reinsurance intermediary.

34 (b) If an insurance producer or affiliate of such producer receives
35 any compensation directly from a customer for the initial placement of
36 insurance, neither the producer nor the affiliate shall accept or receive
37 any compensation from an insurer or other third party for that
38 placement of insurance unless the producer has, prior to the time the
39 policy is delivered to the customer:

40 (1) Obtained the customer's documented acknowledgment that such
41 compensation will be received by the producer or affiliate; and

42 (2) Disclosed the amount of compensation that the producer or
43 affiliate will receive from the insurer or other third party for the
44 placement, except that if the amount of compensation is not known at
45 the time of disclosure, the producer shall disclose the specific method

46 for calculating such compensation and, if possible, a reasonable
47 estimate of the amount.

48 (c) Subsection (b) of this section shall not apply to:

49 (1) An insurance producer who (A) does not receive compensation
50 directly from the customer for the placement of insurance, and (B)
51 discloses to the customer prior to the time the policy is delivered to the
52 customer:

53 (i) That the producer will receive compensation from an insurer in
54 connection with that placement; or

55 (ii) That, in connection with that placement of insurance, the
56 insurance producer represents the insurer and that the producer may
57 provide services to the customer for the insurer;

58 (2) The placement of insurance in surplus lines or residual markets;
59 or

60 (3) A producer whose sole compensation is derived from
61 commissions or other remuneration from the insurer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2005</i>	New section

Statement of Purpose:

To require certain insurance producers to disclose their compensation arrangements to consumers prior to the delivery of a new insurance contract.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]